IN THE UNITED STATES DISTRICT COURT
OF THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

SECURITIES AND EXCHANGE COMMISSION, Plaintiff,	)	
v.	)	Civil Action No. 1:16-cv-03298-SCJ
DONALD V. WATKINS SR., ESQ., WATKINS PENCOR, LLC, MASADA RESOURCE GROUP, LLC, Defendants,	)	
and	)	
DONALD V. WATKINS, P.C., Relief Defendant.	)	

DECLARATION OF DONALD V. WATKINS UNDER PENALTY OF PERJURY PURSUANT TO 28 U.S.C. § 1746

I, **DONALD V. WATKINS,** declare pursuant 28 U.S.C. § 1746 under penalty of perjury that the following is true and correct.

1. My name is Donald V. Watkins. I am one of the Defendants in the above-referenced case. I am a resident of Alabama. I am 69 years old. I am under no legal disability and make this declaration upon my personal knowledge of the facts. I am also a licensed attorney in the state of Alabama and District of Columbia.

2. I serve as Chairman, CEO, and Manager of Masada Resource Group, LLC (www.masada.com), a closely held, global waste-to-ethanol/diesel fuel development company. Watkins Pencor, LLC ("Watkins Pencor"), a company wholly owned by me, holds my Class A equity interests in the Masada family of companies.

3. On January 18, 2007, Barkley Enterprises executed a purchase agreement (the "Barkley Agreement") with Watkins Pencor to acquire an irrevocable economic participation in my equity portion of the Masada family of businesses. See, Exhibit A, a copy of the Barkley Agreement.

4. In the Barkley Agreement, Barkley Enterprises acknowledged my entitlement to the following non-participation revenues: (a) legal fees paid to DVWPC, (b) project development and management fees paid to Pencor Orange Corp. (a project development company owned by me), and (c) expense reimbursements to Pencor (the management entity). Id. at ¶ 1.

5. On its face, the Barkley Agreement was subject to the assignment provisions of the applicable Masada Operating Agreements. It made Charles Barkley, d/b/a Barkley Enterprises, an "assignee" of Watkins Pencor. Id. at ¶ 2.

6. The Barkley Agreement, together with the applicable Masada Operating Agreements that were expressly incorporated therein and promissory notes at issue in this case, governs the business relationship between Charles Barkley and the

defendants, including the Barkley Loans and use of proceeds that are the subject of the SEC's Motion for Summary Judgment.

7. Glenn Guthrie, a financial advisor of Wachovia Securities, executed the Barkley Agreement as the Vice President of Barkley Enterprises.

8. At the time of the Barkley loan transactions at issue in this case (the "Barkley Loans"), Guthrie was a financial advisor for Raymond James, one of North America's leading full-service investment firms.

9. I interacted directly with Glenn Guthrie regarding transactional information, documentation, and status reports regarding each Barkley Loan.

10. I communicated with Barkley and Guthrie regarding the following matters: (a) the Barkley Agreement, as well as its terms and conditions, (b) the three Barkley Loans referenced by the SEC, as well as their terms and conditions, and (c) the proper context of the handful of cherry-picked emails proffered by the SEC in support of its Motion for Summary Judgment.

11. Barkley Enterprises and I have never executed a document that altered, amended, limited, restricted, or revoked the managerial authority Barkley Enterprises acknowledged and agreed to in the Barkley Agreement.

12. Neither the Barkley Agreement, nor the promissory notes evidencing the Barkley Loans, required me to itemize expected expenditures or seek the approval of

Barkley Enterprises for expenditures from the Barkley Loans that were authorized in the Masada Operating Agreement.

13. There has never been any agreement between Barkley Enterprises and me to waive, suspend, modify, or superseded the assignment provisions of the Masada Operating Agreements to which Barkley agreed to be bound.

14. Barkley Enterprises agreed in Section 13.3 of the Masada Operating Agreement that he, as an assignee, would be bound by all of the terms and conditions in the Operating Agreement. See, Exhibit B, The Masada Operating Agreement, dated December 31, 1998. In Section 15.1 of the Masada Operating Agreement, Barkley affirmed that an "[a]ssignee of a Membership Interest has no right to participate in the management of the business and affairs of the Company …".

15. None of the promissory notes for the three Barkley Loans has a provision conferring upon Barkley Enterprises a right to participate in the management of Masada.

16. In addition to the written powers and authority vested in me as (a) Manager of the Masada family of business under the applicable Operating Agreements and (b) the signatory of the DVWPC promissory notes evidencing the Barkley Loans, I received verbal permissions and assurances directly from Charles Barkley on multiple occasions between 2007 and 2013 that whatever financial

assistance I needed from Barkley Enterprises to grow the Masada family of businesses would be provided and approved.

17. I acted on my written authority as Masada's Manager and relied upon Charles Barkley's repeated assurances in discharging my duties as Manager and in making the expenditures now challenged by the SEC.

18. The Masada family of companies is an ongoing, commercially viable, and valuable business enterprise. I grew the Masada businesses from a single-project domestic market company when Barkley became an economic participant in January 2007 into an international company with a market presence in 47 countries today.

19. My equity portion of the Masada family of companies qualified me as a bidder for the St. Louis Rams NFL football team in a sale that was managed by Goldman Sachs in 2009 and 2010. Goldman Sachs passed me through all three qualifying rounds in the bid process on the strength of my Masada assets and provided me a draft purchase contract for the Rams. In the end, the team was sold to the sole existing limited partner who exercised his right of first refusal at the last minute.

20. Charles Barkley, who is an "accredited investor", was apprised of and supported the Rams transaction because it was an opportunity to diversify and liquidate a portion of Masada's pre-revenue assets.

21. Barkley Enterprises also owns a 20% economic interest in my equity portion of Nabirm Energy Services (Pty) Ltd. ("Nabirm"), an oil and gas exploration company. Nabirm owns the licensing rights to a confirmed recoverable resource of 522 million barrel of unrisked oil and 583 billion cubic feet of unrisked methane natural gas. I own 21.5% of Nabirm.

22. The Barkley Loans were used to grow Masada's business using my managerial powers and authority under the applicable Masada Operating Agreements. To provide me with the maximum managerial discretion regarding the use of loan proceeds, Glenn Gutherie agreed that the "business purposes" for each loan would not be defined in the promissory notes.

What Constitutes a Masada "Business Purpose"

23. The Masada Operating Agreement governs what transactions constitute a Masada "business purpose". This document has always been available to Barkley Enterprises. Section 8.3, "Manager", defines the managerial authority Barkley conferred upon me in the Barkley Agreement and Barkley Loans with respect to Masada's business operations.

24. Barkley Enterprises' status as a Watkins Pencor "assignee" made the Barkley Loans "insider" transactions. Furthermore, it was also expressly understood

between the loan parties that repayment of the Barkley Loans would come from funds available to Masada upon a planned liquidation transaction.

25. Section 8.3 of the Operating Agreement sets forth my powers and authority as Manager during the period of time relating to the Barkley Loans. They include, but are not limited to, the power "to do all things necessary or convenient to carry out the business and affairs of the Company…", including the power to: (a) sue and defend lawsuits in the name of the company and its affiliates [Section 8.3(a)]; (b) lease real and personal property, wherever situated [Section 8.3 (b)]; (c) sell, convey, or transfer Masada assets [Section 8.3(c)]; (d) lend money to or otherwise assist Members [Section 8.3(d)]; (e) acquire interests in foreign limited liability companies [Section 8.3(e)]; (f) make contracts, incur liabilities, and borrow money [Section 8.3(f)]; (g) conduct Masada's business and carry on its operations [Section 8.3 (g)] ; (h) hire and appoint Masada's employees and agents, and defined their duties and fix their compensation [Section 8.3(h)]; (i) participate in partnership agreements and joint ventures [Section 8.3 (i)]; and (j) indemnify any Masada Member, Manager, or employee, or former Member, Manager, or employee of the company as provided in the Operating Agreement [Section 8.3(j)].

26. Comparable managerial powers appear in Section 7.3 of the Masada OxyNol US-I, LLC, Operating Agreement [See, Exhibit C; Section 6.4 of the Pencor

Masada OxyNol, LLC, Operating Agreement [See, Exhibit D]; and Section 6.4 of the Masada OxyNol, LLC, Operating Agreement [See, Exhibit E].

27. Section 8.7 of the Masada Operating Agreement provided that the Manager "shall be reimbursed for all reasonable expenses incurred in managing the Company and shall be entitled to compensation for the fulfillment of his or her duties ….".

28. Section 7.7 of the Masada OxyNol US-I Operating Agreement fixes the Manager's compensation at a range of $7,500 per month in § 7.7(b)(i) to $200,000 per month in §7.7(b)(iii)(3), depending upon the stage of the company's waste-to-energy project. This compensation model is repeated in Section 6.8 of the Pencor Masada OxyNol, LLC, Operating Agreement.

29. From the time I became Manager and CEO of the Masada companies in 2005, I deferred all of my authorized Manager's compensation in order to grow the company. As a result of my deferred compensation, I became a Masada creditor.

30. To the extent practicable, I also deferred the expense reimbursements to which I was entitled in order to grow Masada. The unreimbursed Masada-related expenses to which I have been entitled since December 29, 2005 exceed $5 million. This amount includes unpaid legal fees to DVWPC.

31. When I became Manager on December 29, 2005, Masada owed me more than $1 million in debt obligations for cash advances I had made to the company in 2003 and nearly $700,000 in unpaid office rents in 2003 to 2005. Masada also owes me over $1 million in office rent since 2005.

32. Section 9.4 of the Masada Operating Agreement governs Masada's debts to me and provides that these debts "shall bear interest at the rate of twenty-five percent (25%) per annum compounded monthly, and shall be payable on demand." I only took authorized expense reimbursements when they were absolutely needed from a personal standpoint.

33. Since December 29, 2005, DVWPC has incurred approximately $9.5 million in debt obligations for the benefit of Masada. The Barkley Loans are included in this amount.

34. During the period of the Barkley Loans, DVWPC and I were the principal funders of all Masada business operations worldwide.

35. Other Masada-related creditors during the period of the Barkley Loans included, but were not limited to, (a) First Highland Group, LLC (the company that owned the office building housing Masada's offices), (b) DeAndra Watkins (my ex-wife), (c) Marion Snell (a former consultant of Masada and other companies who is identified by the SEC as my "girlfriend"), (d) Donald Watkins, Jr. (my son), (e)

Jessica Findley (a Masada management executive and equity award holder), and (f) Allen Rossum (a Masada management executive and equity award holder).

36. My receipt of tangible economic benefits from the Barkley Loans did not constitute a "conflict of interest." These transactions were permitted under Section 6.4(b) of the Masada Operating Agreement and were approved by Masada.

37. From January 2007 to the present, I controlled 100% of the Class A voting interests in Masada and apprised both Charles Barkley and Glen Guthrie of this fact on several occasions.

38. To this day, Charles Barkley remains a business associate of mine in Masada and Nabirm.

The May 14, 2010, Barkley Loan Transaction

39. The SEC claims that the defendants committed "securities fraud" in connection with the May 2010 Barkley Loan for $1 million. To reach this conclusion, the SEC completely ignored the management authority and discretion Barkley conferred upon me under (a) the Barkley Agreement, (b) the Masada Operating Agreement, and (c) the terms of the May 14, 2010 promissory note. Instead, the SEC bootstrapped its "fraud" claim to a May 8, 2010 email I wrote to Barkley and Glenn Guthrie in which I stated that the loan would cover "development costs for project development opportunities in five markets: (a) Morocco and Mexico (with Chip

Rosenbloom and Lupe Rodriquez), (b) Senegal (with then-Georgia Attorney General Thurbert Baker (by presidential invitation), (c) South Africa (with Bishop Harold Dawson), and (d) South Korea (with businessman Wesley Snipes)."

40. The May 8th email did not restrict or limit my authority as Manager to determine (a) what expenditures constituted "development costs" and (b) where and under what circumstance Masada would develop international markets. Furthermore, Barkley Enterprises knew from the Barkley Agreement and a review of the pro forma budget that DVWPC and I would be entitled to economic benefits in the form of legal fees, project development fees, and expenses reimbursements from my work to develop these markets.

41. On May 10, 2010, I advised Barkley and Guthrie in an email that I reserved the right to adjust the allocation of loan proceeds from potential lenders as money came in and as needed. See, Exhibit F, Watkins email to Guthrie and Barkley, dated May 10, 2010.

42. On or about May 11, 2011, I reviewed the pro forma budget for each of the five projects referenced in the May 14, 2010 promissory note with Glenn Guthrie. See, Exhibit G, Development Budget attachment to the May 9, 2010 email to Rodriquez and Rosenbloom. The budget allocated approximately $332,500 of the $1 million to Masada for internal administrative overhead expenses, including: (a)

$125,000 for "Masada development team", (b) $75,000 for "legal", (c) $75,000 for "travel", (d) $50,000 for "carbon certification", (e) $50,000 for "O&M planning", and $25,000 for "miscellaneous/contingencies". The development budget was the same for each target market.

43. Prior to any disbursements, DVWPC and I were entitled to more than $250,000 of the $332,500 amount earmarked for Masada in each of the four $1 million budgets for the work that was actually performed on the five target markets referenced in the May 8th email. I elected to receive my economic benefits in the form of Masada loan repayments to me.

44. The May 14, 2010 promissory note stated that the "debt evidenced by this Note was made and transacted solely for business purposes related to Masada Resource Group, LLC."

45. The SEC states that the Barkley Loan funds were not used for Morocco and Mexico. However, the SEC failed to mention that Masada's joint venture partners for these two target markets – Chip Rosenbloom and Lupe Rodriguez – unexpectedly reversed course and decided against participating in the joint ventures for Mexico and Morocco while Rosenbloom and his sister (who is Rodriguez's wife) owned the St. Louis Rams and while I was an active bidder for the team. The

Rosenbloom/Rodriquez sudden change of heart was communicated to me after DVWPC's receipt of the May 2010 Barkley Loan proceeds.

46. I used my Masada managerial authority to develop and consummate two substitute international project opportunities for the target markets in Mexico and Morocco. Masada teamed with Dake Group (Pty) LTD to develop a ***second*** waste-to-energy project in South Africa. Masada also teamed with Dake and Ramky Enviro Engineers Limited to develop a waste-to-energy project in Hyderabad, India. These substitute international joint ventures were of equal or greater economic value to Barkley (and other Masada stakeholders).

47. Section 3 of the May 10, 2010 promissory note referenced project development in five international target markets. I delivered project development partnerships in five international markets, as promised. Section 8.3 of the Masada Operating Agreement gave me the authority to substitute one target market for another.

48. Barkley Enterprises and other Masada stakeholders were specifically advised in writing of the Masada-Dake project in South Africa and the Masada-Ramky project in Hyderabad, India.

49. Furthermore, the Dake and Ramky joint ventures were developed and consummated without any additional financial contribution from Barkley for the development of these partnerships.

50. The Dake and Ramky joint ventures contributed to the international market growth of Masada, which was Charles Barkley's personal focus.

51. The SEC cites four financial transactions involving the May 14, 2010 Barkley Loan that it claims I was not authorized to make. They include: (a) a $750,015 wire transfer to Dan Meachum, who is a Watkins Pencor economic participant who worked as a lawyer on the Rams purchase transaction for two years without pay; (b) a $10,015 wire to a "House Account" belonging to Marion Snell; (c) a $10,000 to DeAndra Watkins "for alimony"; and (d) a $41,491.14 wire to Cessna Finance for a jet owned by one of my companies.

52. The $750,000 refund to Attorney Meachum fell within my power in Section 8.3 (h) to hire consultants and fix their compensation. Meachum worked with me on the Rams transaction. Rather than paying Meachum legal fees on an ongoing basis, as was done with other law firms that worked on the Rams transaction, I chose to: (a) refund a portion of the purchase price Meachum paid for his economic participation and (b) award Meachum an addition one percent economic participation in Watkins Pencor, which he received and holds today. Section 8.3(h) of the Masada

Operating Agreement empowered me to compensate Meachum as I determined in my capacity as Masada's Manager.

53. With respect to the $10,015 wire to the "House Account", this expenditure related to my housing when I conducted Masada's business from Atlanta. Marion Snell owned this real property, free and clear. I stayed at and worked extensively from Ms. Snell's property when I performed Masada-related work in Atlanta. The company's headquarters was located in my Birmingham office building. Section 8.3(b) authorized me to make the Atlanta property lease expenditures, which was logistically important to Masada's international growth.

54. Regarding the $10,000 payment to DeAndra Watkins, she was a Masada creditor within the meaning of Section 8.3(f) of the Masada Operating Agreement. DeAndra Watkins deferred payments due her in Sections 3 and 12(B) of our Divorce Agreement. See, Exhibit H, The Watkins's Divorce Decree and Agreement. DeAndra Watkins allowed me to use her money to grow Masada for the benefit of Barkley Enterprises and other Masada stakeholders. Her loans to Masada were treated as "on-demand" loans.

55. Section 8.3(f) of the Masada Operating Agreement authorized me to borrow this money from DeAndra Watkins and repay some, or all, of her loans on demand. Section 8.3(d) authorized me to assist Masada Members, including myself.

Sections 8.3(j), 8.7, and 9.4 authorized me to repay loans I made to the business from monies provided by my ex-wife.

56. DVWPC maintains the financial records necessary to determine when DeAndra Watkins's loans have been paid in full. Her loans to Masada exceeded $1 million.

57. With respect to the $41,491.14 I wired to Cessna, the payment was for an aircraft that was used for Masada's business operations. The plane traveled on Masada business throughout the United States, the Caribbean, South America, Portugal, and Africa. I was authorized to: (a) borrow money for an aircraft in Section 8.3(f) of the Masada Operating Agreement, (b) contract for aviation service in Section 8.3(h) of the Masada Operating Agreement and reimburse myself for the money I spent on the aircraft in Sections 8.3(j), 8.7, and 9.4 of the Masada Operating Agreement.

58. In addition to the May 14, 2010 Barkley Loan, DVWPC brought in more than $300,000 in May 2010 from the law firm itself and another Masada executive to support Masada's business operations.

59. Barkley Enterprises has never taken legal action to demand repayment of the May 14, 2010 promissory note. Barkley understood then (and now) that repayment of the loan was tied to a planned Masada liquidation transaction.

The May 18, 2011, Barkley Loan Transaction

60. On or about May 18, 2011, Barkley made a second $1 million loan to DVWPC for the benefit of Masada. The loan was made to prepare Masada for a contemplated investment/acquisition transaction with Waste Management, Inc., including the usual and customary due diligence Waste Management was expected to perform on Masada, its affiliated entities, key external vendors, and its top executive management team.

61. The Ben Barnes Group in Washington and former Georgia Attorney General Thurbert Baker were part of the Masada deal team that worked on a contemplated Waste Management transaction in 2011 and 2012. Ark Resources provided engineering services. Atlanta Attorney David Minkin and I provided legal services for the deal. New York financial analysis Kelly Wachowicz performed financial modeling. Jessica Findley worked on Masada's EB-5 regional center application. San Francisco-based investment banker Eric Urbani provided financial advisory services for the transaction. DVWPC spent over $1 million on lawyers, engineers, consultants, and other essential professional service providers during the 2-year period the company pursued the Waste Management transaction.

62. The promissory note evidencing this debt stated that the "Note evidencing the debt was made and transacted solely for the business purposes related

to Masada Resource Group, LLC and ***affiliated entities and persons***." Barkley Enterprises agreed to the expanded "business purposes" language.

63. The SEC challenges six expenditures from the May 18, 2011 Barkley Loan funds, they include: (a) a $7,000 check to my son Drew, with the memo line "Gift"; (b) a $150,000 check to the Varnum law firm; (c) a $41,816 wire to the "House Account" in Atlanta; (d) a $50,000 check to DeAndra Watkins, with the memo line "Partial Alimony"; (e) a $10,008.63 wire and an $11,904.80 to Midland for repayment of loans for my Alamerica bank stock loan; and (f) a $255,703 check to the IRS for my personal tax liability. Each of these transactions was authorized under the Masada Operating Agreement and permitted under the use of proceeds section of the promissory note.

64. With respect to the $7,000 payment to Drew Watkins, this expenditure was the result of an authorized Section 9.4 loan repayment to me, who in turn, forwarded the money to Drew as a gift for his tangible support to Masada during its financially challenging times. In addition to being one of my sons, Drew is a friend and co-worker of Barkley.

65. With respect to the $150,000 payment to Varnum, this expenditure was authorized in Sections 8.3(a), 8.3(h) &(j), and 8.7 of the Masada Operating Agreement. The Varnum law firm was successful in securing the release of $30

million in Pencor Orange Corp. ("Pencor") stock that was pledged as collateral on an "unconditional" loan guaranty that was executed as part of a business venture to expand Masada's footprint into the aviation fuels sector. Watkins Pencor owns Pencor. The Pencor stock was at risk because I refused to participate in an unlawful pay-for-play scheme involving several members of the Detroit city government and Detroit Pension Funds. The release of the Pencor stock was a direct and tangible economic benefit to Barkley, Watkins Pencor, and other Masada stakeholders.

66. With respect to the $41,816 wire to the "House Account", this expenditure was authorized in Section 8.3(b) of the Masada Operating Agreement, as discussed above.

67. With respect to the $50,000 payment to DeAndra Watkins for "Partial Alimony", this payment was authorized in Sections 8.3(f)&(j), 8.7, and 9.4 of the Masada Operating Agreement, as discussed above.

68. With respect to the $10,008.63 wire and $11,904 wire to Midland, these payments are authorized under Sections 8.3(d)&(j), 8.7, and 9.4 of the Masada Operating Agreement. These payments constituted loan repayments to me that were used to secure and protect an important Masada-related business development driver – Alamerica Bank. I was chairman and majority owner of the Bank at the time. The Bank's credentials boosted Masada's credibility during the market development and

due diligence phases of the company's international ramp up. The loan payments at issue facilitated a positive assessment of Masada and its CEO during this period.

69. With respect to the $255,703 payment to the IRS, this expenditure was authorized under Sections 8.3(d)&(j), 8.7, and 9.4 of the Masada Operating Agreement. This payment constituted an "on demand" partial loan repayment from Masada to me to ensure that I had no tax issues during the anticipated Waste Management due diligence review. Because I deferred my receipt of more than $10 million in expenses reimbursements, loan repayments, and Manager's compensation for the benefit of Barkley Enterprises and other Masada stakeholders, this partial loan repayment provided an authorized means for me to pay this IRS obligation.

70. I have worked full-time for Masada every day for 12 consecutive years without receiving any of my authorized Manager's compensation. Barkley and Guthrie have always understood that I was entitled to Manager's compensation, reimbursement of unpaid expenses, and repayment of my loans to Masada and WP.

71. As was the case with the May 14, 2010 Barkley Loan, I discussed the nature and scope of the Waste Management business opportunity with Glenn Guthrie prior to the wiring of Barkley funds to DVWPC. Again, I reserved my right to (a) adjust the allocation of funds from Barkley and (b) use them as authorized in the Masada Operating Agreement. Guthrie agreed.

The May 28, 2013 Barkley Loan Transaction

72. The SEC claims that a May 28, 2013, Barkley Loan to DVWPC in the amount of $150,000 in support of its "fraud" claims. Barkley and I discussed this loan while I was in traveling in Turkey.

73. Donald Watkins, Jr., prepared the promissory note for me while I was traveling on Masada and Nabirm business. The note erroneously stated it was signed by DVWPC for the benefit of Masada. It should have referenced Nabirm as the beneficiary, instead of Masada. My managerial powers and authority in Nabirm were comparable with those in Masada. Both companies owed me more than $150,000 in unreimbursed expenses at the time of this loan.

74. On February 4, 2014, I notified Barkley and Glenn Guthrie that the $150,000 was a Nabirm loan. See, Exhibit I, Watkins February 4, 2014 email to Barkley and Guthrie. On February 10, 2014, I briefed Guthrie in person about this error in the May 28, 2013 promissory note. Later that day, I emailed Guthrie the original promissory note because he had misplaced his copy. In my email, I stated that the promissory note "was coded in our records as a loan to Nabirm." See, Exhibit J, Watkins February 10, 2014 email to Guthrie and Barkley. Nabirm is not a party to this litigation.

75. Assuming ***arguendo*** that the Court deems the May 28, 2013, Barkley Loan to constitute a "Masada" loan, as the SEC has argued, the defendants present the following additional facts regarding this loan.

76. The SEC claims that I used the $150,000 Barkley Loan to pay "multiple personal expenses," including (a) $79,000 on Donald, Jr.'s American Express account; (b) $40,750.23 on Jessica Findley's American Express account; (c) $2,000 or more on my VISA card; and (d) a payment for Jessica Findley's monthly retainer. All of the expenditures in question fell squarely within my authority under the Masada Operating Agreement.

77. The American Express and Visa cards of Donald, Jr., and Jessica Findley supported the business operations of Masada and Nabirm. To the extent these cards contained "personal" items, these transactions are treated as reimbursements of expenses and partial loan repayments to me. They are authorized under Sections 8.3(j), 8.7, and 9.4 of the Masada Operating Agreement. The amounts involved will be reconciled under my "Membership Account" when Masada experiences a liquidation event. DVWPC maintains the financial records necessary to facilitate the required reconciliation of member accounts.

78. The credit card transactions identified by the SEC with regard to the May 28, 2013, Barkley Loan also relate to a Masada and/or Nabirm business purpose.

79. The May 24, 2014, email states that I had to "cover" April and May expenses related to the identified Masada and Nabirm projects, including "some substantial legal fees for Nabirm relating to the $10 million investment transaction currently being handled by Daniel Stewart & Company in London." The SEC claims that I did not, in fact, "pay" $600,000 in business expenses relating to Masada and Nabirm.

80. The email reference to "covering" $600,000 included the cash overhead and operational payments by DVWPC, as well as the "deemed value" of Watkins' contributed legal services in April and May 2013 (and beyond). Additionally, my extended international travel precluded me from performing legal work for an unrelated corporate client that would have generated substantial legal fees for DVWPC.

81. Charles Barkley gave me verbal permission to use the loan proceeds as I saw fit when we discussed this loan. Yet, the SEC has identified the following expenses as examples of "fraud": (a) clothing or accessories at Hermes of Paris for $915; (b) a $2,800 payment to Lamar Advertising for Donald Watkins, Jr.'s State Farm insurance business; (c) a $3,000 contribution to the University of Alabama at Birmingham; (d) a $5,000 alimony payment to DeAndra Watkins; (e) a $757.74 charge for a mattress; (f) various personal expenses, including gym membership dues

($21.98), a home warranty on Donald Watkins, Jr.'s personal residence ($458.25) and various meals at restaurants. The alleged "unauthorized" expenditures total $12,952.07.

82. The DVWPC alimony payments to DeAndra Watkins have been discussed above in connection with the first two Barkley Loans. Section 8.3(f) (loan repayment to a Masada creditor), Section 8.7 (reimbursement of expenses), and Section 9.4 (loan repayments) of the Masada Operating Agreement, individually and collectively, authorize this $5,000 payment to DeAndra Watkins.

83. The $3,000 charge at UAB was in relation to UAB's Minority Health Center, and was requested by Barkley, who served as the Center's partner, event co-chair and sponsor. This expense was authorized under Sections 8.3, 8.3(d)&(h), 8.7, and 9.4 of the Masada Operating Agreement.

84. The $4,952.97 in remaining expenses that the SEC has classified as "personal" is authorized in Section 9.4 of the Masada Operating Agreement as loan repayments to me. Furthermore, Section 8.3(d), (f)&(h) of the Operating Agreement authorized me to compensate Donald Watkins, Jr., for the use of his personal creditworthiness to support Masada's operations.

85. As was the case with the other Barkley Loans, Charles Barkley authorized all of my managerial actions when Glenn Guthrie executed the Barkley

Agreement on his behalf. Additionally, Charles Barkley gave me verbal authority to use the money as I saw fit to grow the business, which was done. Furthermore, all of these expenses challenged by the SEC were directly related to a Masada "business purpose", as set forth in the applicable Masada Operating Agreements.

86. During the 2010 to 2013 period in which the SEC claims the Defendants committed fraud against Barkley, DVWPC brought in more than $7 million. This amount includes several million in legal fees, loans from stakeholders and capital contributions from Watkins. The overwhelming majority of this money supported Masada's international growth.

I make this DECLARATION under penalty of perjury and based upon my personal knowledge of its contents. To the best of my knowledge, everything contained in this DECLARATION is true and correct.

Done this 26th day of January 2018.

Donald V. Watkins

Donald V. Watkins